

EXIRA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Exira Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education  
(Before September 2007 election)**

Vicky Sorensen	President	2008
Tom Benton	Vice President	2009
Tom Christofferson	Board Member	2007
Denise Walker	Board Member	2008
Bart Peppers	Board Member	2009

**Board of Education  
(After September 2007 election)**

Vicky Sorensen	President	2008
Tom Benton	Vice President	2009
Tom Christofferson	Board Member	2010
Denise Walker	Board Member	2008
Bart Peppers	Board Member	2009

**School Officials**

Charles Johnson	Superintendent	2008
Shirley Garnett	District Secretary and Treasurer	2008
Rick Franck	Attorney	2008

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Exira Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Exira Community School District, Exira, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Exira Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated March 23, 2009 on our consideration of Exira Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of these reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Exira Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2009

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Exira Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$2,635,785 in fiscal 2007 to \$2,816,012 in fiscal 2008, while General Fund expenditures increased from \$2,848,130 in fiscal 2007 to \$3,117,937, in fiscal 2008. This resulted in a decrease in the District's General Fund balance from a deficit balance of \$52,474 in fiscal 2007 to a deficit balance of \$354,399 in fiscal 2008, a 575.38% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in states grant revenues in fiscal 2008. The increase in expenditures was due increased instructional costs and other expenses.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Exira Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Exira Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Exira Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Exira Community School District Annual Financial Report**

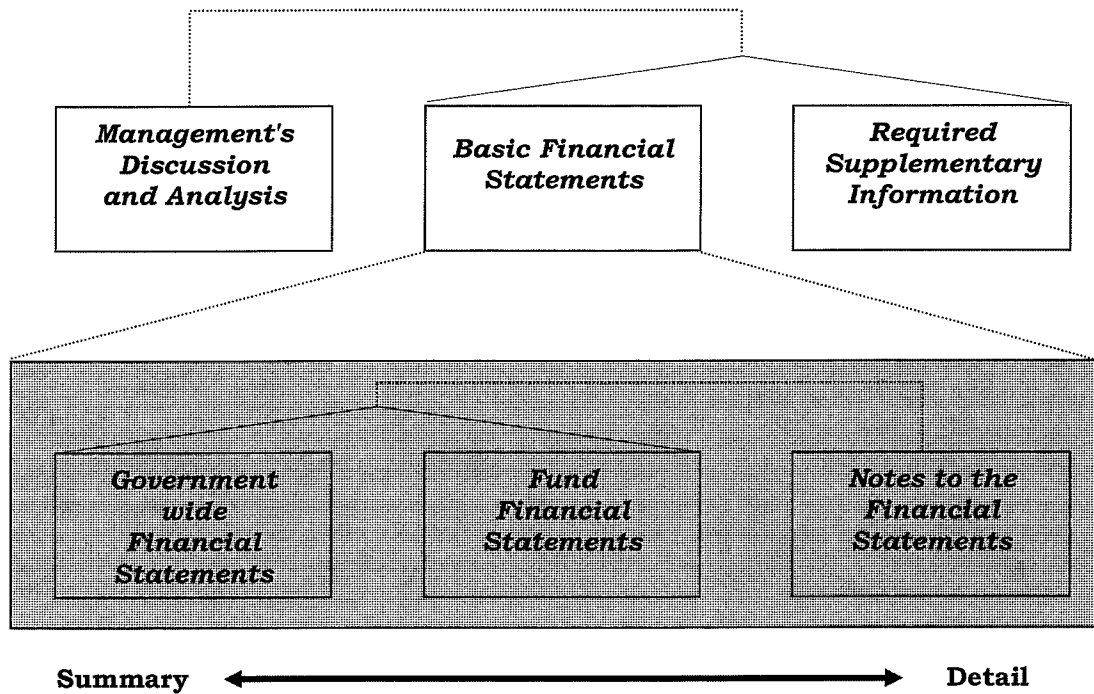


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

***Major Features of the Government-Wide and Fund Financial Statements***

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund.

Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 3,128,655	2,733,065	14,230	13,807	3,142,885	2,746,872	14.42%
Capital assets	633,732	680,571	18,108	9,692	651,840	690,263	-5.57%
Total assets	3,762,387	3,413,636	32,338	23,499	3,794,725	3,437,135	10.40%
Long-term obligations	11,795	159,940	0	0	11,795	159,940	-92.63%
Other liabilities	2,877,348	2,188,068	158	25	2,877,506	2,188,093	31.51%
Total liabilities	2,889,143	2,348,008	158	25	2,889,301	2,348,033	23.05%
Net assets:							
Invested in capital assets, net of related debt	633,732	535,571	18,108	9,692	651,840	545,263	19.55%
Restricted	542,319	554,066	0	0	542,319	554,066	-2.12%
Unrestricted	(302,807)	(24,009)	14,072	13,782	(288,735)	(10,227)	-2723.26%
Total net assets	\$ 873,244	1,065,628	32,180	23,474	905,424	1,089,102	-16.87%

The District's combined net assets decreased by 16.87%, or \$183,678, from the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$11,747, or 2.12% from the prior year. The decrease was primarily due to the decrease in the Capital Projects Fund balance.

Unrestricted net assets – are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$278,508, or 2,723.26%. The decrease was primarily due to the decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the years ended June 30, 2008 compared to June 30, 2007.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 164,349	163,878	65,357	63,508	229,706	227,386	1.02%
Operating grants and contributions and restricted interest	411,117	356,239	67,805	72,156	478,922	428,395	11.79%
Capital grants and contributions and restricted interest	0	25,000	0	0	0	25,000	-100.00%
General revenues:							
Property tax	1,070,884	1,079,011	0	0	1,070,884	1,079,011	-0.75%
Income surtax	83,316	94,540	0	0	83,316	94,540	-11.87%
Local option sales and services tax	131,259	179,795	0	0	131,259	179,795	-27.00%
Unrestricted state grants	1,326,058	1,138,859	0	0	1,326,058	1,138,859	16.44%
Unrestricted investment earnings	57,649	32,809	42	52	57,691	32,861	75.56%
Other	35,860	48,952	0	0	35,860	48,952	26.74%
Transfers	(5,430)	0	5,430	0	0	0	0.00%
Total revenues and transfers	3,275,062	3,119,083	138,634	135,716	3,413,696	3,254,799	4.88%
Program expenses:							
Governmental activities:							
Instructional	2,139,975	1,963,331	0	0	2,139,975	1,963,331	9.00%
Support services	1,029,101	1,051,071	0	0	1,029,101	1,051,071	-2.09%
Non-instructional programs	0	0	129,928	129,234	129,928	129,234	0.54%
Other expenses	298,370	145,603	0	0	298,370	145,603	104.92%
Total expenses	3,467,446	3,160,005	129,928	129,234	3,597,374	3,289,239	9.37%
Changes in net assets	(192,384)	(40,922)	8,706	6,482	(183,678)	(34,440)	-433.33%
Beginning net assets	1,065,628	1,106,550	23,474	16,992	1,089,102	1,123,542	-3.07%
Ending net assets	\$ 873,244	1,065,628	32,180	23,474	905,424	1,089,102	-16.87%

Property tax, income surtax, local option sales and services tax and unrestricted state grants account for 79.74% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 96.05% of the revenue from business type activities.

The District's total revenues were approximately \$3,413,696 of which \$3,275,062 was for governmental activities and \$138,634 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.88% increase in revenues and a 9.37% increase in expenses. The increase in revenues was due to increased in charges for services, and state grant revenues, the District received during fiscal 2008. The increases in expenses related to increases in the negotiated salary and benefits.

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## Governmental Activities

Revenues for governmental activities were \$3,275,062 and expenses were \$3,467,446. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 2,139,975	1,963,331	9.00%	1,669,124	1,540,417	8.36%
Support services	1,029,101	1,051,071	-2.09%	1,025,773	1,026,071	-0.03%
Other expenses	298,370	145,603	104.92%	197,083	48,400	307.20%
Totals	<u>\$ 3,467,446</u>	<u>3,160,005</u>	<u>9.73%</u>	<u>2,891,980</u>	<u>2,614,888</u>	<u>10.60%</u>

- The cost financed by users of the District's programs was \$164,349.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$411,117.
- The net cost of governmental activities was financed with \$1,070,884 in property tax, \$83,316 in income surtax, \$131,259 in local option sales and services tax, \$1,326,058 in unrestricted state grants, \$57,649 in interest income and \$35,860 in other general revenues.

## Business-Type Activities

Revenues of the District's business-type activities were \$138,634 and expenses were \$129,928. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Exira Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$185,931, below last year's ending fund balance of \$480,015. The primary reason for the decrease in combined fund balance in fiscal 2008 is due to increased instructional costs and other expenses.

## Governmental Fund Highlights

- The District's decrease in General Fund financial position is the product of many factors. The increase in revenues for 2008 was more than outweighed by the increase in expenditures incurred by the District. This forced the District to use carryover balance to meet financial obligations during the year guaranteeing the decline in General Fund balance.

- The Capital Projects Fund decreased from \$478,248 in 2007 to \$437,608 in 2008. The decrease was due to the transfer to the Debt Service Fund to pay off the Capital Loan Notes.

### Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$23,474 at June 30, 2007 to \$32,180 at June 30, 2008, representing an increase of 37.09%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$43,315 more than budgeted revenues, a variance of 1.29%. The most significant variance resulted from the District receiving less in state source revenues than originally anticipated.

Total expenditures were initially than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

During the year ended June 30, 2008, the District exceeded its General Fund unspent authorized budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, the District had invested \$651,840, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 5.57% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$105,003.

The original cost of the District's capital assets was \$2,062,171. Governmental funds account for \$2,014,273 with the remainder of \$47,898 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$182,810 at June 30, 2007, compared to \$152,244, reported at June 30, 2008. This decrease was due to current year depreciation expense.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 19,493	19,493	0	0	19,493	19,493	0.00%
Buildings	470,950	478,108	0	0	470,950	478,108	-1.50%
Land improvements	9,153	9,852	0	0	9,153	9,852	-7.10%
Machinery and equipment	134,136	173,118	18,108	9,692	152,244	182,810	-16.72%
Total	\$ 633,732	680,571	18,108	9,692	651,840	690,263	-5.57%

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## Long-Term Debt

At June 30, 2008, the District had \$11,795 in other long-term debt outstanding. This represents a decrease of 92.63% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District paid the remaining capital loan note indebtedness off during fiscal 2008. The District had \$11,795 in early retirement payable at June 30, 2008.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total
	June 30,		June 30,
	2008	2007	2007-08
Capital loan note	\$ 0	145,000	-100.00%
Early Retirement	11,795	14,940	-21.05%
Totals	\$ 11,795	159,940	-92.63%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Shirley Garnett, District Board Secretary, Exira Community School District, P.O. Box 335, Exira, Iowa, 50076.

BASIC FINANCIAL STATEMENTS





EXIRA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP(Note 3)	\$ 846,368	0	846,368
Other	554,925	12,065	566,990
Receivables:			
Property tax:			
Delinquent	14,697	0	14,697
Succeeding year	1,490,645	0	1,490,645
Income surtax	65,376	0	65,376
Accounts	832	0	832
Accrued interest - ISCAP (Note 3)	6,832	0	6,832
Due from other governments	108,980	0	108,980
Inventories	0	2,165	2,165
Prepaid expenses	40,000	0	40,000
Capital assets, net of accumulated depreciation (Note 5)	633,732	18,108	651,840
<b>TOTAL ASSETS</b>	<b>3,762,387</b>	<b>32,338</b>	<b>3,794,725</b>
<b>LIABILITIES</b>			
Accounts payable	64,339	0	64,339
Salaries and benefits payable	237,220	0	237,220
ISCAP drawdown	223,000	0	223,000
ISCAP warrants payable (Note 3)	842,000	0	842,000
ISCAP accrued interest payable (Note 3)	7,622	0	7,622
ISCAP unamortized premium	8,484	0	8,484
Deferred revenue:			
Succeeding year property tax	1,490,645	0	1,490,645
Other	4,038	0	4,038
Unearned revenue	0	158	158
Long-term liabilities (Note 6):			
Portion due within one year:			
Early retirement payable	3,145	0	3,145
Portion due after one year:			
Early retirement payable	8,650	0	8,650
<b>TOTAL LIABILITIES</b>	<b>2,889,143</b>	<b>158</b>	<b>2,889,301</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	633,732	18,108	651,840
Restricted for:			
Reading Recovery	2,500	0	2,500
Market Factor Incentives	2,352	0	2,352
Capital projects	437,608	0	437,608
Physical plant and equipment levy	70,793	0	70,793
Other special revenue purposes	29,066	0	29,066
Unrestricted	(302,807)	14,072	(288,735)
<b>TOTAL NET ASSETS</b>	<b>\$ 873,244</b>	<b>32,180</b>	<b>905,424</b>

SEE NOTES TO FINANCIAL STATEMENTS

EXIRA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,480,117	57,519	293,122	(1,129,476)	0	(1,129,476)
Special instruction	332,071	0	16,708	(315,363)	0	(315,363)
Other instruction	327,787	103,502	0	(224,285)	0	(224,285)
	<u>2,139,975</u>	<u>161,021</u>	<u>309,830</u>	<u>(1,669,124)</u>	<u>0</u>	<u>(1,669,124)</u>
Support services:						
Student services	86,330	0	0	(86,330)	0	(86,330)
Instructional staff services	101,204	0	0	(101,204)	0	(101,204)
Administration services	372,074	0	0	(372,074)	0	(372,074)
Operation and maintenance of plant services	302,101	0	0	(302,101)	0	(302,101)
Transportation services	167,392	3,328	0	(164,064)	0	(164,064)
	<u>1,029,101</u>	<u>3,328</u>	<u>0</u>	<u>(1,025,773)</u>	<u>0</u>	<u>(1,025,773)</u>
Other expenditures:						
Facilities and acquisitions	152,857	0	0	(152,857)	0	(152,857)
Long-term debt interest	549	0	0	(549)	0	(549)
AEA flowthrough	101,287	0	101,287	0	0	0
Depreciation(unallocated)*	43,677	0	0	(43,677)	0	(43,677)
	<u>298,370</u>	<u>0</u>	<u>101,287</u>	<u>(197,083)</u>	<u>0</u>	<u>(197,083)</u>
Total governmental activities	3,467,446	164,349	411,117	(2,891,980)	0	(2,891,980)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	129,928	65,357	67,805	0	3,234	3,234
Total business-type activities	<u>129,928</u>	<u>65,357</u>	<u>67,805</u>	<u>0</u>	<u>3,234</u>	<u>3,234</u>
Total	<u>\$ 3,597,374</u>	<u>229,706</u>	<u>478,922</u>	<u>(2,891,980)</u>	<u>3,234</u>	<u>(2,888,746)</u>
<b>General Revenues and Transfers:</b>						
General Revenues:						
Property tax levied for:						
General purposes				\$ 959,779	0	959,779
Capital outlay				111,105	0	111,105
Income surtax				83,316	0	83,316
Local option sales and services tax				131,259	0	131,259
Unrestricted state grants				1,326,058	0	1,326,058
Unrestricted investment earnings				57,649	42	57,691
Other				35,860	0	35,860
Transfers				(5,430)	5,430	0
Total general revenues and transfers				<u>2,699,596</u>	<u>5,472</u>	<u>2,705,068</u>
Changes in net assets				(192,384)	8,706	(183,678)
Net assets beginning of year				<u>1,065,628</u>	<u>23,474</u>	<u>1,089,102</u>
Net assets end of year				<u>\$ 873,244</u>	<u>32,180</u>	<u>905,424</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS

EXIRA COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments:				
ISCAP (Note 3)	\$ 846,368	0	0	846,368
Other	116,095	363,707	75,123	554,925
Receivables:				
Property tax:				
Delinquent	12,146	0	2,551	14,697
Succeeding year	974,409	0	516,236	1,490,645
Income surtax	65,376	0	0	65,376
Accounts	832	0	0	832
Accrued interest - ISCAP (Note 3)	6,832	0	0	6,832
Due from other governments	35,079	73,901	0	108,980
Prepaid expenses	0	0	40,000	40,000
<b>TOTAL ASSETS</b>	<b>\$ 2,057,137</b>	<b>437,608</b>	<b>633,910</b>	<b>3,128,655</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 49,387	0	14,952	64,339
Salaries and benefits payable	237,220	0	0	237,220
ISCAP drawdown	223,000	0	0	223,000
ISCAP warrants payable (Note 3)	842,000	0	0	842,000
ISCAP accrued interest payable (Note 3)	7,622	0	0	7,622
ISCAP unamortized premium	8,484	0	0	8,484
Deferred revenue:				
Succeeding year property tax	974,409	0	516,236	1,490,645
Income surtax	65,376	0	0	65,376
Other	4,038	0	0	4,038
Total liabilities	2,411,536	0	531,188	2,942,724
Fund balances:				
Reserved for:				
Reading recovery	2,500	0	0	2,500
Market Factor incentives	2,352	0	0	2,352
Prepaid expenses	0	0	40,000	40,000
Unreserved:				
General	(359,251)	0	0	(359,251)
Capital projects	0	437,608	0	437,608
Management levy	0	0	2,863	2,863
Physical plant and equipment levy	0	0	30,793	30,793
Other special revenue purposes	0	0	29,066	29,066
Total fund balances	(354,399)	437,608	102,722	185,931
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,057,137</b>	<b>437,608</b>	<b>633,910</b>	<b>3,128,655</b>

SEE NOTES TO FINANCIAL STATEMENTS

EXIRA COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008

Total fund balances of governmental funds (page 15)	\$ 185,931
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in the governmental funds.	633,732
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	65,376
Long-term liabilities, including early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(11,795)</u>
Net assets of governmental activities (page 13)	<u><u>\$ 873,244</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

EXIRA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 968,334	131,259	185,866	1,285,459
Tuition	57,519	0	0	57,519
Other	99,813	0	100,526	200,339
State sources	1,574,217	46,829	0	1,621,046
Federal sources	116,129	0	0	116,129
Total revenues	2,816,012	178,088	286,392	3,280,492
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	1,481,617	0	0	1,481,617
Special instruction	332,071	0	0	332,071
Other instruction	246,010	0	73,673	319,683
	2,059,698	0	73,673	2,133,371
Support services:				
Student services	85,598	0	0	85,598
Instructional staff services	101,009	0	0	101,009
Administration services	372,074	0	0	372,074
Operation and maintenance of plant services	251,589	0	56,419	308,008
Transportation services	138,609	0	0	138,609
	948,879	0	56,419	1,005,298
Other expenditures:				
Facilities acquisitions	0	72,785	115,892	188,677
Long-term debt:				
Principal	0	0	145,000	145,000
Interest and fiscal charges	0	0	943	943
AEA Flowthrough	101,287	0	0	101,287
	101,287	72,785	261,835	435,907
Total expenditures	3,109,864	72,785	391,927	3,574,576
Excess(deficiency) of revenues over(under) expenditures	(293,852)	105,303	(105,535)	(294,084)
Other financing sources(uses):				
Transfers in	0	0	154,016	154,016
Transfers out	(8,073)	(145,943)	0	(154,016)
Total other financing sources(uses)	(8,073)	(145,943)	154,016	0
Net change in fund balances	(301,925)	(40,640)	48,481	(294,084)
Fund balance beginning of year	(52,474)	478,248	54,241	480,015
Fund balance end of year	\$ (354,399)	437,608	102,722	185,931

SEE NOTES TO FINANCIAL STATEMENTS

EXIRA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds(page 17) \$ (294,084)

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 55,902	
Depreciation expense	<u>(102,741)</u>	(46,839)

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 145,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 394

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	<u>3,145</u>
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Changes in net assets of governmental activities(page 14) \$ (192,384)

EXIRA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2008

	School Nutrition
<b>ASSETS</b>	
Cash and pooled investments	\$ 12,065
Inventories	2,165
Capital assets, net of accumulated depreciation (Note 5)	18,108
<b>TOTAL ASSETS</b>	<b>32,338</b>
<b>LIABILITIES</b>	
Unearned revenue	158
<b>NET ASSETS</b>	
Invested in capital assets	18,108
Unrestricted	14,072
<b>TOTAL NET ASSETS</b>	<b>\$ 32,180</b>

SEE NOTES TO FINANCIAL STATEMENTS

EXIRA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	<u>\$         65,357</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	53,458
Benefits	7,258
Supplies	66,950
Depreciation	2,262
TOTAL OPERATING EXPENSES	<u>129,928</u>
OPERATING LOSS	(64,571)
NON-OPERATING REVENUES:	
State sources	1,702
Federal sources	66,103
Interest on investments	42
TOTAL NON-OPERATING REVENUES	<u>67,847</u>
Change in net assets before capital contributions	3,276
Contributed Capital	<u>5,430</u>
Change in net assets	8,706
Net assets beginning of year	<u>23,474</u>
Net assets end of year	<u><u>\$         32,180</u></u>

SEE NOTES TO FINANCIAL STATEMENTS



EXIRA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 65,706
Cash payments to employees for services	(60,716)
Cash payments to suppliers for goods or services	(57,006)
Net cash used in operating activities	(52,016)
Cash flows from non-capital financing activities:	
State grants received	1,702
Federal grants received	55,775
Net cash provided by non-capital financing activities	57,477
Cash flows from capital and related financing activities:	
Purchase of capital assets	(5,248)
Cash flows from investing activities:	
Interest on investments	42
Net increase in cash and cash equivalents	255
Cash and cash equivalents at beginning of year	11,810
Cash and cash equivalents at end of year	\$ 12,065
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (64,571)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	10,328
Depreciation	2,262
Increase in inventories	(384)
Decrease in accounts receivable	216
Increase in unearned revenue	133
Net cash used in operating activities	\$ (52,016)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 12,065

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$10,328.

During the year ended June 30, 2008, the Nutrition Fund received contributed capital of \$5,430 from the Capital Projects Fund.

SEE NOTES TO FINANCIAL STATEMENTS

EXIRA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
<b>Assets</b>	
Cash and pooled investments	<u>\$          537,702</u>
<b>Liabilities</b>	<u>0</u>
<b>Net assets</b>	<u><u>\$          537,702</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

EXIRA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2008

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 4,250
Interest income	24,862
Total additions	<u>29,112</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>17,400</u>
Change in net assets	11,712
Net assets beginning of year	<u>525,990</u>
Net assets end of year	<u><u>\$ 537,702</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

EXIRA COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**(1) Summary of Significant Accounting Policies**

The Exira Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Exira, Iowa, and the predominate agricultural territory in Guthrie, Audubon and Cass Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Exira Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Exira Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Guthrie, Audubon and Cass Counties Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary funds is the School Nutrition Fund. The Nutrition fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund is the Private Purpose Trust Fund.

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and

reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and benefits payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used



to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, the District exceeded its General Fund unspent authorized budget.

### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 470,190

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The Certificates of Deposit are classified as Category 1, which means the investments are insured and are held by the District in the District's name. Certificates of Deposit are stated at fair value.

At June 30, 2008, the District had investments in Certificate of Deposit maturing in over one year as follows:

	Fair Value
Certificates of Deposit	\$ 273,839

### (3) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08B	01/23/2008	01/23/2009	\$ 506,621	6,703	505,000	7,523
2008-09A	06/26/2008	06/25/2009	339,747	129	337,000	99
Total			\$ 846,368	6,832	842,000	7,622

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007-08A	\$ 0	620,000	620,000	0
2007-08B	0	323,000	100,000	223,000
Total	\$ 0	943,000	720,000	223,000

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.448%
2007-08B	3.750%	3.451%
2008-09A	3.500%	3.469%

#### (4) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 145,943
Special Revenue, Physical Plant and Equipment Levy	General	8,073
Total		\$ 154,016

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 19,493	0	0	19,493
Total capital assets not being depreciated	19,493	0	0	19,493
Capital assets being depreciated:				
Buildings	1,268,595	35,820	0	1,304,415
Land improvements	13,991	0	0	13,991
Machinery and equipment	656,292	20,082	0	676,374
Total capital assets being depreciated	1,938,878	55,902	0	1,994,780
Less accumulated depreciation for:				
Buildings	790,487	42,978	0	833,465
Land improvements	4,139	699	0	4,838
Machinery and equipment	483,174	59,064	0	542,238
Total accumulated depreciation	1,277,800	102,741	0	1,380,541
Total capital assets being depreciated, net	661,078	(46,839)	0	614,239
Governmental activities capital assets, net	\$ 680,571	(46,839)	0	633,732
Business-type activities:				
Machinery and equipment	\$ 41,363	10,678	4,143	47,898
Less accumulated depreciation	31,671	2,262	4,143	29,790
Business-type activities capital assets, net	\$ 9,692	8,416	0	18,108

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 4,982
Other	8,104
Support services:	
Student	732
Instructional staff	195
Operation and maintenance	2,368
Transportation	42,683
Unallocated depreciation	43,677
Total governmental activities depreciation expense	\$ 102,741
Business-type activities:	
Food services	\$ 2,262

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Capital loan note	\$ 145,000	0	145,000	0	0
Early retirement	14,940	0	3,145	11,795	3,145
Total	\$ 159,940	0	148,145	11,795	3,145

Capital Loan Note

During fiscal year 2004, the District obtained financing for a new roof, with a capital loan note for \$325,000. During the year ended June 30, 2008, the District paid the remaining capital loan notes.

Early Retirement

The District offers a voluntary early retirement plan to its licensed employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The school District will pay the cost of the single premium at the level it was when the employee retired. A liability has been recorded in the Statement of Net Assets for government-wide activities for these early retirement benefits. Early retirement expenditures for the year ended June 30, 2008 totaled \$3,145.

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$102,601, \$81,656, and \$88,472, respectively, equal to the required contributions for each year.

**(8) Risk Management**

The Exira Community School District is a member in the Iowa School Employees Benefits Association, fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. ISEBA is a local

government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: health, dental, vision, prescription drugs, life and long-term disability.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2008 were \$273,041.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

Exira Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$101,287 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Deficit Fund Balances**

The General Fund had a deficit unreserved fund balance of \$359,251 at June 30, 2008.

**(11) Budget Overexpenditure**

During the year ended June 30, 2008, the District exceeded its General Fund unspent authorized budget.

REQUIRED SUPPLEMENTARY INFORMATION

EXIRA COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 1,543,317	65,399	1,608,716	1,625,992	1,625,992	(17,276)
State sources	1,621,046	1,702	1,622,748	1,512,889	1,512,889	109,859
Federal sources	116,129	66,103	182,232	231,500	231,500	(49,268)
Total revenues	3,280,492	133,204	3,413,696	3,370,381	3,370,381	43,315
Expenditures:						
Instruction	2,133,371	0	2,133,371	2,059,986	2,225,000	91,629
Support services	1,005,298	0	1,005,298	1,611,485	1,611,485	606,187
Non-instructional programs	0	129,928	129,928	141,658	141,658	11,730
Other expenditures	435,907	0	435,907	308,053	475,000	39,093
Total expenditures	3,574,576	129,928	3,704,504	4,121,182	4,453,143	748,639
Excess(deficiency) of revenues over(under) expenditures	(294,084)	3,276	(290,808)	(750,801)	(1,082,762)	791,954
Other financing sources, net	0	5,430	5,430	0	0	5,430
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(294,084)	8,706	(285,378)	(750,801)	(1,082,762)	797,384
Balance beginning of year	480,015	23,474	503,489	548,868	548,868	(45,379)
Balance end of year	\$ 185,931	32,180	218,111	(201,933)	(533,894)	752,005

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT



EXIRA COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing the budgeted expenditures by \$331,961.

During the year ended June 30, 2008, the District exceeded its General Fund unspent authorized budget.

OTHER SUPPLEMENTARY INFORMATION

EXIRA COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
<b>ASSETS</b>						
Cash and pooled investments	\$ 1,837	29,066	44,220	75,123	0	75,123
Receivables:						
Property tax:						
Current year delinquent	1,026	0	1,525	2,551	0	2,551
Succeeding year	85,000	0	126,986	211,986	304,250	516,236
Prepaid expenses	0	0	40,000	40,000	0	40,000
<b>TOTAL ASSETS</b>	<b>\$ 87,863</b>	<b>29,066</b>	<b>212,731</b>	<b>329,660</b>	<b>304,250</b>	<b>633,910</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 0	0	14,952	14,952	0	14,952
Deferred revenue:						
Succeeding year property tax	85,000	0	126,986	211,986	304,250	516,236
<b>TOTAL LIABILITIES</b>	<b>85,000</b>	<b>0</b>	<b>141,938</b>	<b>226,938</b>	<b>304,250</b>	<b>531,188</b>
Fund balances:						
Reserved for:						
Prepaid expense	0	0	40,000	40,000	0	40,000
Unreserved	2,863	29,066	30,793	62,722	0	62,722
Total fund balances	2,863	29,066	70,793	102,722	0	102,722
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 87,863</b>	<b>29,066</b>	<b>212,731</b>	<b>329,660</b>	<b>304,250</b>	<b>633,910</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EXIRA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds				Total	
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 74,761	0	111,105	185,866	0	185,866
Other	6,098	75,987	18,441	100,526	0	100,526
TOTAL REVENUES	80,859	75,987	129,546	286,392	0	286,392
EXPENDITURES:						
Current:						
Instruction:						
Other instruction	0	73,673	0	73,673	0	73,673
Support services:						
Operation and maintenance of plant services	56,419	0	0	56,419	0	56,419
Other expenditures:						
Facilities acquisitions	0	0	115,892	115,892	0	115,892
Long-term debt:						
Principal	0	0	0	0	145,000	145,000
Interest and fiscal charges	0	0	0	0	943	943
TOTAL EXPENDITURES	56,419	73,673	115,892	245,984	145,943	391,927
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	24,440	2,314	13,654	40,408	(145,943)	(105,535)
OTHER FINANCING SOURCES:						
Transfers in	0	0	8,073	8,073	145,943	154,016
Net change in fund balances	24,440	2,314	21,727	48,481	0	48,481
Fund balances beginning of year	(21,577)	26,752	49,066	54,241	0	54,241
Fund balances end of year	\$ 2,863	29,066	70,793	102,722	0	102,722

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EXIRA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Art	\$ 133	5	0	138
Athletics	16,101	66,389	59,957	22,533
Cheerleading	203	2,538	2,741	0
Drill Team	656	549	610	595
Leadership Club	414	323	255	482
Student Council	463	289	580	172
FFA	236	10	0	246
Pals	151	6	0	157
Spanish	76	3	0	79
National Honor Society	151	85	169	67
Faces	381	15	0	396
Science Club	393	16	0	409
Class of 2007	1,052	0	1,052	0
Class of 2008	3,690	51	2,397	1,344
Class of 2009	1,432	5,216	5,881	767
Class of 2010	1,207	47	31	1,223
Class of 2011	13	207	0	220
Class of 2012	0	238	0	238
Total	\$ 26,752	75,987	73,673	29,066

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EXIRA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 1,285,459	1,340,675	1,226,960	1,213,463	1,019,143
Tuition	57,519	82,465	82,801	50,198	228,444
Other	200,339	166,746	136,159	187,492	259,823
Intermediate sources	0	0	0	0	8,501
State sources	1,621,046	1,375,450	1,383,015	1,381,716	1,243,062
Federal sources	116,129	141,076	156,475	104,680	226,247
Total	<u>\$ 3,280,492</u>	<u>3,106,412</u>	<u>2,985,410</u>	<u>2,937,549</u>	<u>2,985,220</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 1,481,617	1,311,369	1,377,586	1,364,905	1,332,693
Special instruction	332,071	316,938	260,313	274,345	360,844
Other instruction	319,683	309,460	294,968	139,941	358,266
Support services:					
Student services	85,598	79,930	76,484	67,789	41,595
Instructional staff services	101,009	116,746	103,906	96,062	59,972
Administration services	372,074	334,110	311,712	295,432	281,365
Operation and maintenance of plant services	308,008	308,785	283,948	247,495	214,094
Transportation services	138,609	93,507	88,585	88,432	108,074
Central services	0	0	0	0	954
Non-instructional programs	0	0	0	122	3,425
Other expenditures:					
Facilities acquisitions	188,677	91,734	87,299	151,776	63,857
Long-term debt:					
Principal	145,000	60,000	60,000	30,000	0
Interest	943	6,725	8,480	9,630	0
AEA flow-through	101,287	97,203	95,304	93,982	90,188
Total	<u>\$ 3,574,576</u>	<u>3,126,507</u>	<u>3,048,585</u>	<u>2,859,911</u>	<u>2,915,327</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
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Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of the  
Exira Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Exira Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 23, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Exira Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Exira Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Exira Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Exira Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Exira Community School District's financial statements that is more than inconsequential will not be prevented or detected by Exira Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Exira Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Exira Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Exira Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Exira Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Exira Community School District and other parties to whom Exira Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Exira Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2009



EXIRA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District will review their control procedures and obtain the maximum internal control possible with our limited number of employees.

Conclusion - Response accepted.

- I-B-08 Supporting Documents for Payments Made with Credit Card and or Pre-paid Card - It was noted during the audit, that when purchases are being made with credit cards and pre-paid cards, a detailed receipt is not always turned into the Central Office for supporting documentation of the purchase. The credit card and pre-paid card receipts did not provide a detail description of the purchase.

Recommendation - The District has a policy in place for credit card and pre-paid card usage, which states that the users need to provide detailed receipts for purchases made. The District should review their procedures in place with personnel to ensure that the proper detailed documentation will be available for supporting documentation. The District should require additional approval of expense, if proper documentation is not available.

Response - The District will review their control procedures in place with our personnel to ensure that the proper detailed documentation will be available for supporting documentation. The District will require additional approval of expenses, if proper documentation is not available.

Conclusion - Response accepted.

- I-C-08 General Fund Invoices - We noted during our audit, instances of expenditures being paid which did not have invoices to support the payment.

Recommendation - The District should present the bills for payment to the Board for proper approval in accordance with the District's policy of payment of goods. The District should also, review their procedures that are in place to ensure that all bills are supported, approved, and paid from an invoice with a purchase order. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or support documentation other than the invoice.

Response - The District will review their control procedures in place to ensure that bills are supported, approved, and paid from an invoice with a purchase order. The District will adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or support documentation other than the invoice.

Conclusion - Response accepted.

- I-D-08 Board Policies - We noted that the District hasn't implemented a cell phone policy. The policy should address the issues and requirements for employees who will utilize district owned cell phones or who receive a dollar allowance for personal cell phones.

Recommendation - The District should review their procedures in place and update or implement the necessary policies.

Response - The District will contact Iowa Association of School Boards to obtain a sample cell phone policy for adoption.

Conclusion - Response accepted.

- I-E-08 Check Procedures - The District writes various checks throughout the year to "Cash" instead of the custodian/sponsor for these events.

Recommendation - Checks made out to "Cash" are bearer paper and in the event the check would be lost or stolen anyone could cash the check. In the future, the District should write the check to the custodian/sponsor of the event and the District.

Response - The District will issue the check to the custodian/sponsor of the event and the District as recommended by the auditor.

Conclusion - Response accepted.

- I-F-08 Grants - We noted during our audit, that when the final report for the Title I grant was filed, the general ledger was not used to determine expenses. This resulted in an over claiming expenses.

Recommendation - The District should amend the Title I grant final report submitted and repay the overage. The District may apply for carryover allocation in fiscal 2009. In the future, the District should use the general ledger when completing final reports.

Response - The District will amend the Title I grant final report and repay the overage. The District will also use the general ledger entries when completing future final reports.

Conclusion - Response accepted.

EXIRA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the amount budgeted, however, the District exceeded its General Fund unspent authorized budget.

Recommendation - The District should contact the Department of Education and the School Budget Review Committee to resolve the unspent authorized budget issue.

Response - The District has contacted School Board Review Committee and is scheduled to meet with them to request modified allowable growth.

Conclusion - Response accepted.

II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-08 Business Transactions - No business transactions between the District and District officials were noted.

II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-08 Certified Enrollment - The number of basic enrolled students reported to the Iowa Department of Education on line 1 of the Certified Enrollment Certification Form for October 2007 was understated by one student and line 3 was overstated by 2 students. This resulted in overstating the total actual enrollment at line 7 by 1 student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District will contact the Department of Education to resolve the total actual enrollment actual enrollment for the Aid and Levy document.

Conclusion - Response accepted.

II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-J-08 Financial Condition - The District had a deficit unreserved fund balance of \$359,251 in the General Fund.

Recommendation - The District should monitor these funds and investigate alternatives to eliminate the deficits.

Response - The District is monitoring its funds and working towards solutions which will reduce and eliminate the deficits as quickly as possible.

Conclusion - Response accepted.

II-K-08 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required for the activity fund.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required for record retention.

Response - The District will contact the bank agent to obtain and retain an image of both the front and back of each cancelled check as required for record retention.

Conclusion - Response accepted.

II-L-08 Signing of Officiating Contracts - We noted during our audit that the Board President was not signing athletic officiating contracts for the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into, to comply with Chapter 291.1 of the Code of Iowa.

Response - The District will have the Board President sign all contracts the District enters into, thus complying with Chapter 291.1 of the Code of Iowa.

Conclusion - Response accepted.

II-M-08 Physical Plant and Equipment Levy (PPEL) Expenditures - According to Chapter 298.3 of the Code of Iowa, PPEL monies may be used for a purchase of a single unit of equipment exceeding \$500 per unit. We noted during our audit in 2008 that the District purchased 8 blackboards for \$1,352.17 from the PPEL, which was less than \$500 per single unit.

Recommendation - The District should review their procedures and Chapters 298 and 423, of the Iowa Code, which provides allowable expenses from the PPEL and Capital Projects Funds. The District should make a corrective transfer to the PPEL Fund from the General Fund for \$1,352.17, for the items purchased less than \$500 per unit.

Response - The District will make a corrective transfer from the General Fund to the PPEL for \$1,352.17 and review our procedures and Chapter 298 and 423 of the Code of Iowa, concerning allowable expenditures from the PPEL and Capital Projects Fund.

Conclusion - Response accepted.